



FY19 DRAFT Budget Overview

June 11, 2018

Agenda

1. State of the University
2. FY19 Operating Budget
3. Budget Risks
4. Capital Budget

UConn: State of the University

UConn's budget supports growth and excellence in the academic mission.

- As Connecticut's flagship university—ranked 18th in the nation—UConn has a unique mission to educate the State's future leaders and pioneer innovation in new products and start-up businesses through world-class research and broad educational opportunities.
- UConn produces a solid return on the State's \$585 million investment by contributing \$3.4 billion annually to its \$260 billion economy, employing 1 out of every 90 jobs in the State.
- With steady State support, UConn can improve on this return by attracting internationally renowned faculty to produce more cutting-edge research and teach the brightest students from across Connecticut, the United States, and the world.

Consequences of Declining Support

With continued reductions in State support and rising fringe benefit costs, UConn is subject to risks that impact students and our economy.

Impacts on Students

- Students pay more in tuition & fees to offset declining State support.
- Class sizes increase while class offerings decrease, resulting in poorer educational quality and longer times to graduation.
- Student services are cut to compensate for increased fringe costs, including fewer academic advisors, mental health counseling, and other support services.

Impacts on Faculty and Staff

- Competition for and retention rates of best faculty decline.
- Attracting fewer of the best faculty has a negative impact on research grants and productive industry partnerships.
- Fewer staff are available to support faculty research and student education.

UConn is Already Lean in Administrative Ranks

UConn administrators support more students than all of our peers in Top 30 public universities, and support more faculty than all but two of our peers.

School	Student to Administrator Ratio
University of Connecticut	241.8
Virginia Tech	235.1
Purdue University-Main Campus	179.0
Rutgers, State U. of New Jersey	166.2
University of Massachusetts-Amherst	140.5
University of North Carolina at Chapel Hill	119.0
University of Maryland-College Park	103.1
Clemson University	93.7
University of California-Santa Barbara	91.2
University of California-Davis	71.8
Colorado School of Mines	63.1
University of California-San Diego	63.1
University of Wisconsin-Madison	60.2
University of California-Irvine	56.7
Texas A & M University-College Station	53.4
University of Washington	52.4
University of Minnesota-Twin Cities	49.3
University of Florida	49.2

School	Faculty to Administrator Ratio
Rutgers, State U. of New Jersey	15.0
Virginia Tech	14.3
University of Connecticut	14.1
Purdue University-Main Campus	10.1
University of North Carolina at Chapel Hill	9.8
University of Massachusetts-Amherst	7.8
University of Maryland-College Park	6.1
University of Wisconsin-Madison	5.7
University of Washington	5.4
Clemson University	5.2
University of California-Davis	5.0
University of California-San Diego	4.5
University of Minnesota-Twin Cities	4.4
University of Michigan-Ann Arbor	4.3
University of Pittsburgh	4.1
Colorado School of Mines	4.0
University of California-Santa Barbara	3.9
University of California-Irvine	3.4

Lists include the top 18 public institutions on the associated measures (of the top 30 public institutions).

FY19 Combined Budget

UConn & UConn Health are presenting a \$2.4B balanced budget for FY19.

FY19 Budget (\$M)	Uconn-Storrs & Regionals	Uconn Health	Combined Total
State Block Grant	190.6	123.3	313.9
Fringe Benefits & Adjustments	156.2	115.5	271.7
Total State Support	\$ 346.8	\$ 238.8	\$ 585.6
Tuition/Fees	554.2	25.5	579.7
Grants/Contracts/Foundation	103.2	80.2	183.4
Auxiliary Enterprise Revenue	214.3	-	214.3
Net Patient Revenue	-	538.3	538.3
Interns/Residents	-	69.0	69.0
Other Revenue	35.9	72.1	108.1
Total Operating Fund	\$ 1,254.4	\$ 1,023.9	\$ 2,278.3
Research Fund	113.2	23.7	136.9
Total Current Funds Revenues	\$ 1,367.5	\$ 1,047.6	\$ 2,415.2
Salaries & Wages	503.9	412.5	916.4
Fringe Benefits	277.1	254.1	531.2
Drugs/Medical Supplies	-	98.6	98.6
Other Expenses/Equipment/Energy	256.9	242.5	499.4
Student Financial Aid	183.9	-	183.9
Debt Service/Projects	33.7	16.2	49.9
Total Operating Fund	\$ 1,255.4	\$ 1,023.9	\$ 2,279.3
Research Fund	112.1	23.7	135.8
Total Current Funds Expenditures	\$ 1,367.5	\$ 1,047.6	\$ 2,415.1
Net Gain/(Loss) Loss	\$ 0.0	\$ 0.0	\$ 0.0

UConn Storrs & Regionals

FY19 Proposed Budget

The FY19 budget increases by only 2.8% over FY18, despite 12% increase in fringe costs.

Storrs & Regionals

Revenues (\$M)		Expenditures (\$M)	
State Block Grant	190.6	Salaries & Wages	503.9
Fringe Benefits & Adjustments	156.2	Fringe Benefits	277.1
Total State Support	\$ 346.8	Other Expenses	214.4
Tuition	418.5	Energy	21.9
Fees	135.7	Equipment	20.6
Grants & Contracts	81.5	Student Financial Aid	183.9
Foundation/Endowment	21.7	Debt Service/Projects	33.7
Sales & Services	21.5	Total Operating Fund	\$ 1,255.4
Auxiliary Enterprise Revenue	214.3		
Other Revenue	14.4	Research Fund	\$ 112.1
Total Operating Fund	\$ 1,254.4	Total Operating Expenditures	\$ 1,367.5
Research Fund	113.2	Net Gain/Loss	\$ 0.0
Total Current Funds Revenues	\$ 1,367.5		

Note: Use of decimals may result in rounding differences.

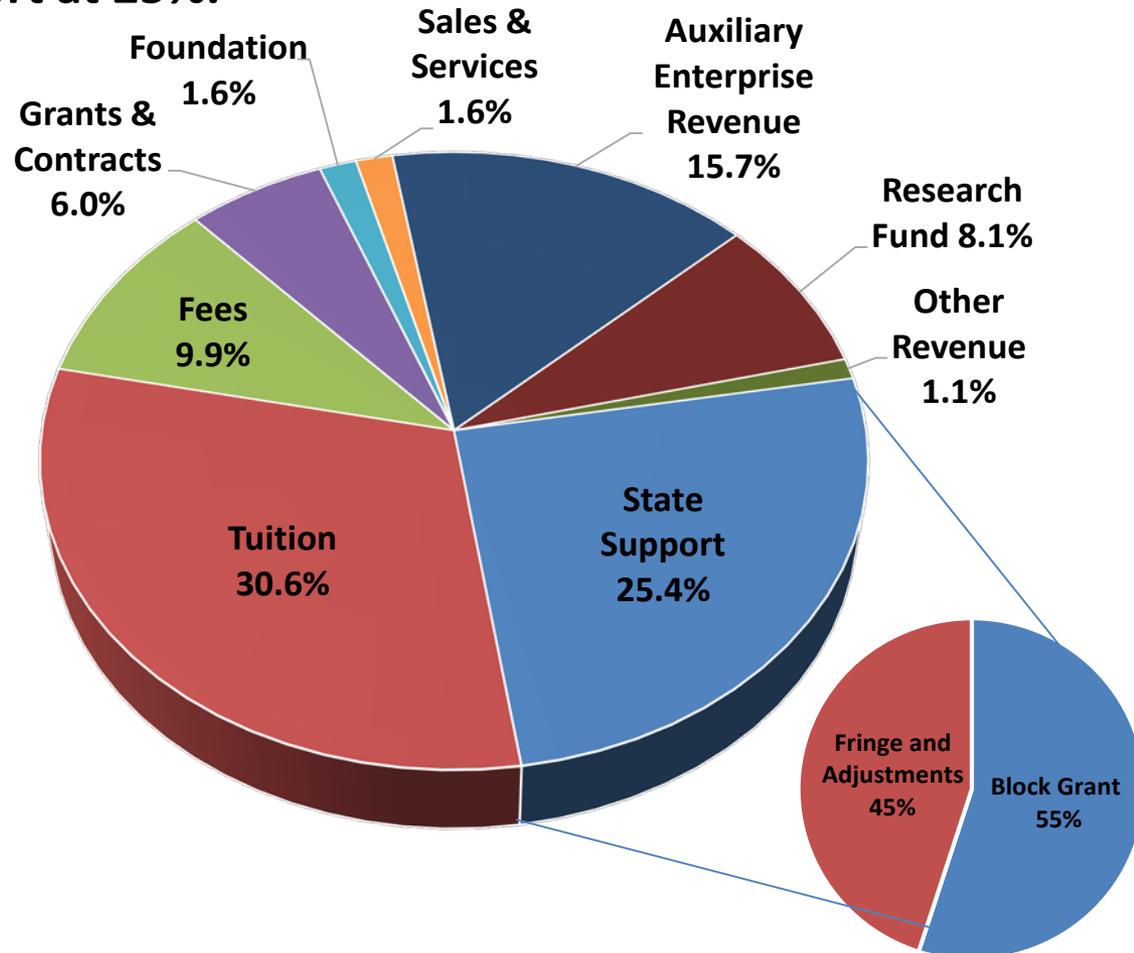
FY18-FY19 Comparison

	FY18 Forecast (\$M)	FY19 Budget (\$M)	Favorable / (Unfavorable) (\$M)	Notes
State Block Grant	191.3	190.6	(0.7)	↓ Reduction in State funding
Fringe Benefits & Adjustments	135.8	156.2	20.3	↑ Reflects one-time payouts
Total State Support	\$ 327.2	\$ 346.8	\$ 19.6	
Tuition	399.9	418.5	18.6	↑ Tuition rate increase per plan
Fees	136.5	135.7	(0.8)	↓ Elimination of major and material fees
Grants & Contracts	82.5	81.5	(1.0)	↓ Assumed slowing of some grant activity
Foundation/Endowment	21.0	21.7	0.7	↑ Small increase in endowment income
Sales & Services	21.5	21.5	-	↔ No change
Auxiliary Enterprise Revenue	219.6	214.3	(5.3)	↓ Decline in Athletics revenue
Other Revenue	12.9	14.4	1.5	↑ Conference and room rentals
Total Operating Fund	\$ 1,220.9	\$ 1,254.4	\$ 33.4	
Research Fund	111.5	113.2	1.7	↑ Gains in research spending
Total Current Funds Revenues	\$ 1,332.4	\$ 1,367.5	\$ 35.1	
Salaries & Wages	495.4	503.9	(8.4)	↑ SEBAC one time payments and GA increases
Fringe Benefits	249.2	277.1	(27.9)	↑ Increase in fringe rate
Other Expenses/Equipment	235.1	235.0	0.1	↓ Across the board expense management
Energy	20.9	21.9	(1.0)	↑ Increase in commodity costs
Student Financial Aid	171.4	183.9	(12.5)	↑ Increase in need and merit based aid
Debt Service/Projects	54.3	33.7	20.6	↓ Reduction in project spending
Total Operating Fund	\$ 1,226.3	\$ 1,255.4	\$ (29.2)	
Research Fund	106.1	112.1	(6.0)	↑ Increased research activity
Total Current Funds Expenditures	\$ 1,332.4	\$ 1,367.5	\$ (35.2)	
Net Gain/(Loss) Loss	\$ 0.0	\$ 0.0	\$ -	

FY19 Revenue by Category

The University relies more on tuition than any other revenue source at nearly 31%, greater than state support at 25%.

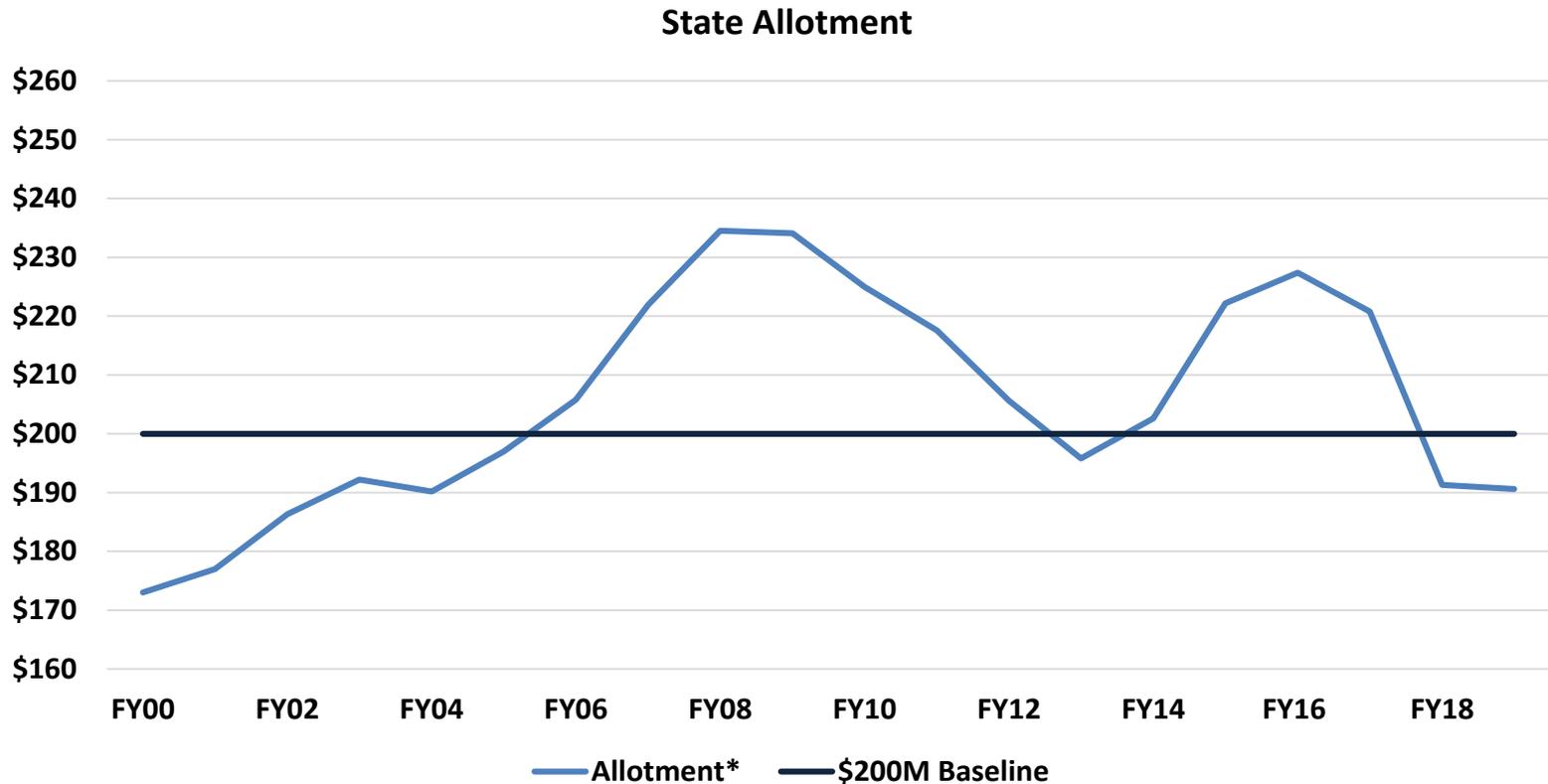
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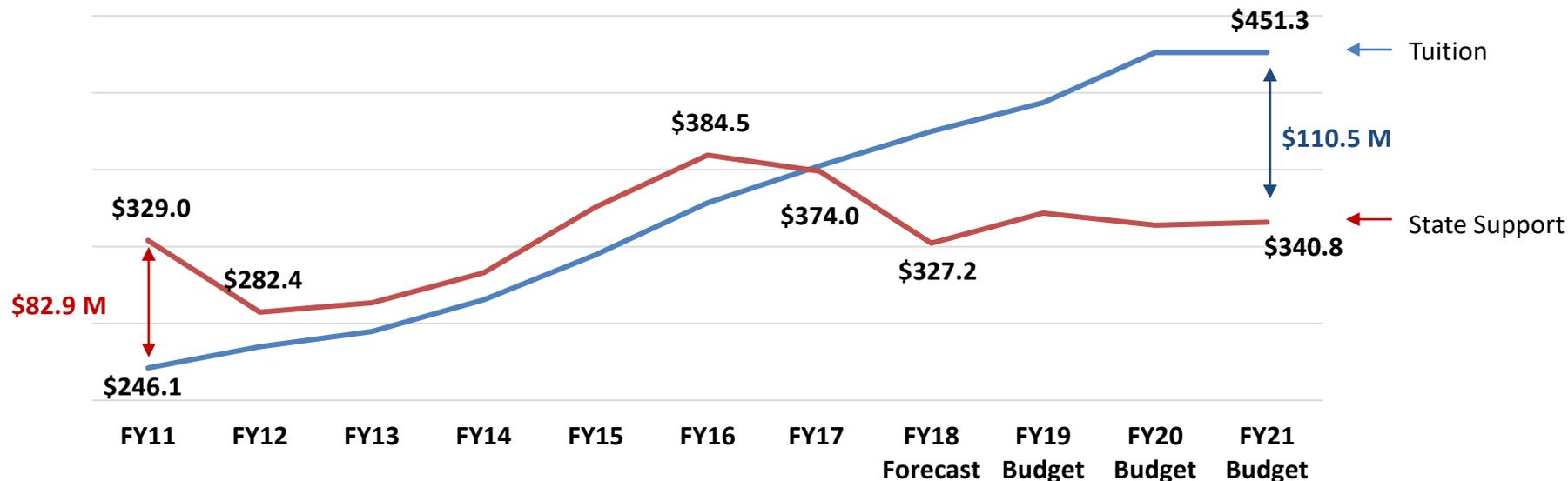
UConn State Block Grant

UConn seeks stability of the current State block grant allotment level, which is approaching a 20-year low point.



Tuition Replaces Lost State Support

As State support declines, UConn must rely more on tuition revenue, which is obtained through more students, flexibility in residency mix, and higher rates.



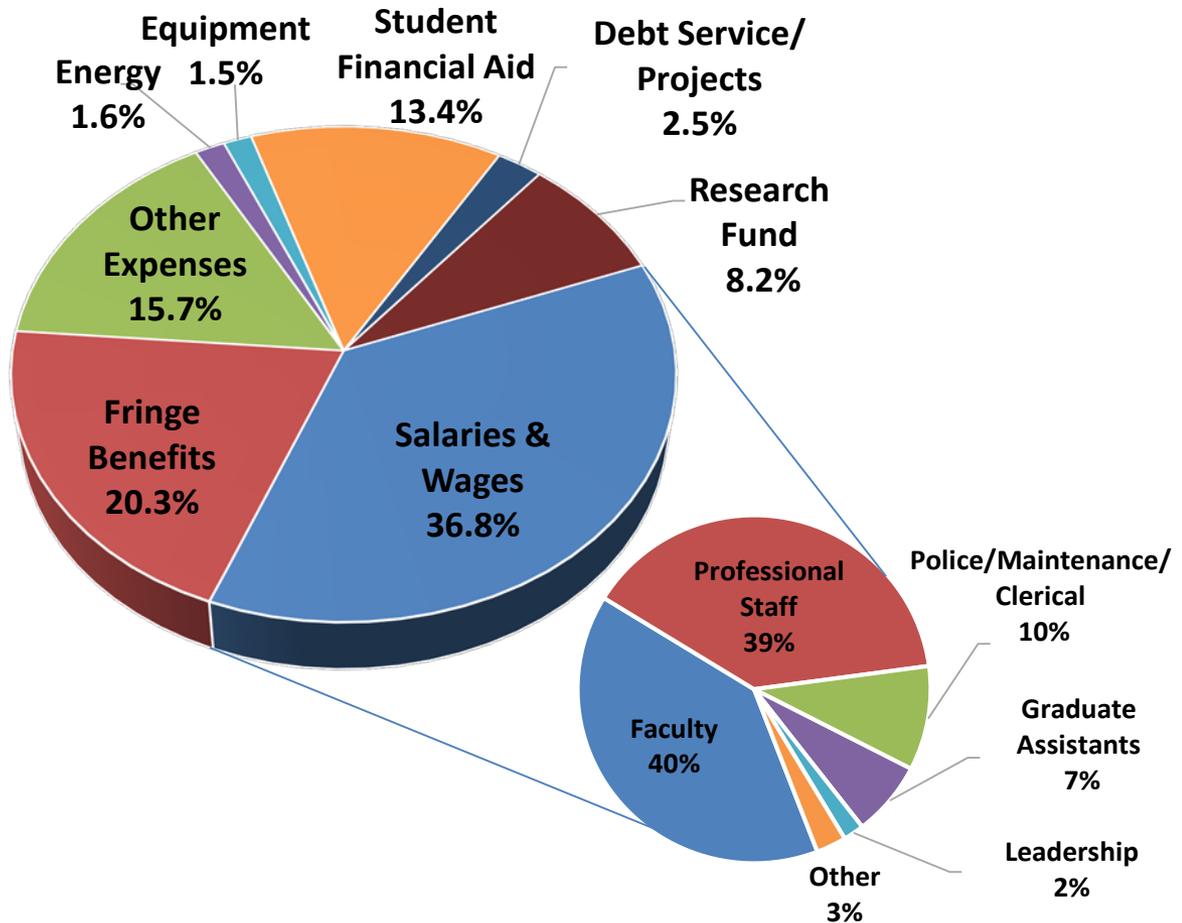
Tuition Assumption FY21:

- Tuition assumes no rate increase in FY21 due to expiration of the current 4 year plan. This is for illustrative purposes until a new tuition plan is adopted.

FY19 Expense by Category

Fringe benefit costs continue to grow, now accounting for over 20% of the University's operating budget.

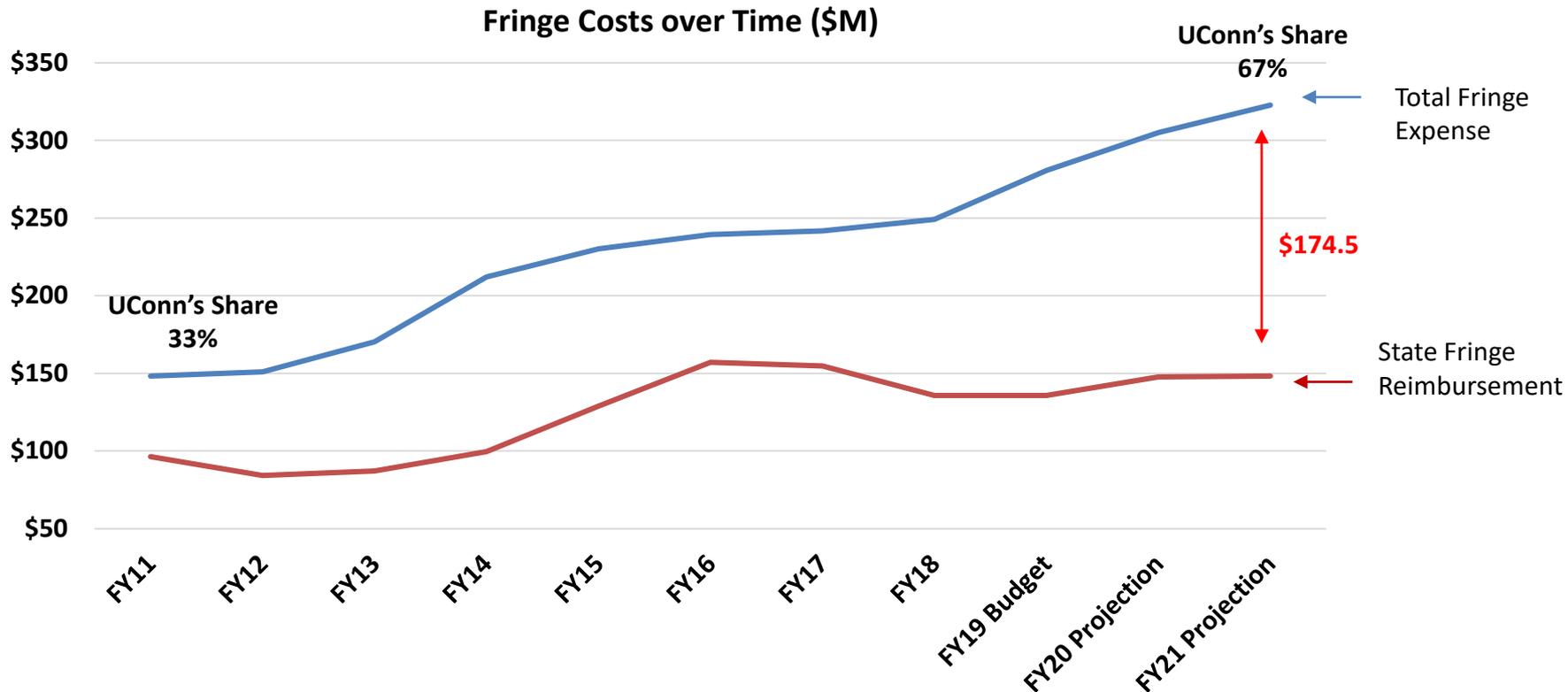
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Students Pay More for Fringe Costs

As fringe costs' share of total budget rises, students pay more for fringe expenses and less for student service expenses.



Fringe rates are dictated by the State Comptroller's Office. UConn has no input or control over these rates.

Projected Deficits for Next 2 Years

While the FY19 proposed budget is balanced, we project substantial deficits for FY20-FY21, driven by collective bargaining and fringe benefit costs.

	<u>FY20</u>	<u>FY21</u>
Projected Deficit (millions)	\$28.7	\$63.2

Deficit Mitigation Strategies to Consider

- Revisit Tuition Plan, and raise tuition in 2021 or earlier, which may impact affordability.
- Increase Enrollment, which will bring more tuition, but may increase class size, faculty to student ratio, reduce average SAT score, and affect ranking.
- Require students to live on-campus, which may turn some students away
- Freeze staff hiring, which may affect staff retention and have deleterious effects on research, teaching and academic performance.
- Restructure departments for savings, which may lead to the loss of our best faculty and/or staff.

UConn HEALTH

FY19 UConn Health Proposed Budget

Revenues (\$M)

State Block Grant	123.3
Fringe Benefits & Adjustments	115.5
Total State Support	<u>\$ 238.8</u>
Tuition and Fees	25.5
Grants & Contracts	80.2
Interns/Residents	69.0
Net Patient Revenue	538.3
Other Revenue	72.1
Total Operating Fund	<u>\$ 1,023.9</u>
Research and Restricted Funds	23.7
Total Current Funds Revenues	<u>\$ 1,047.6</u>

Expenditures (\$M)

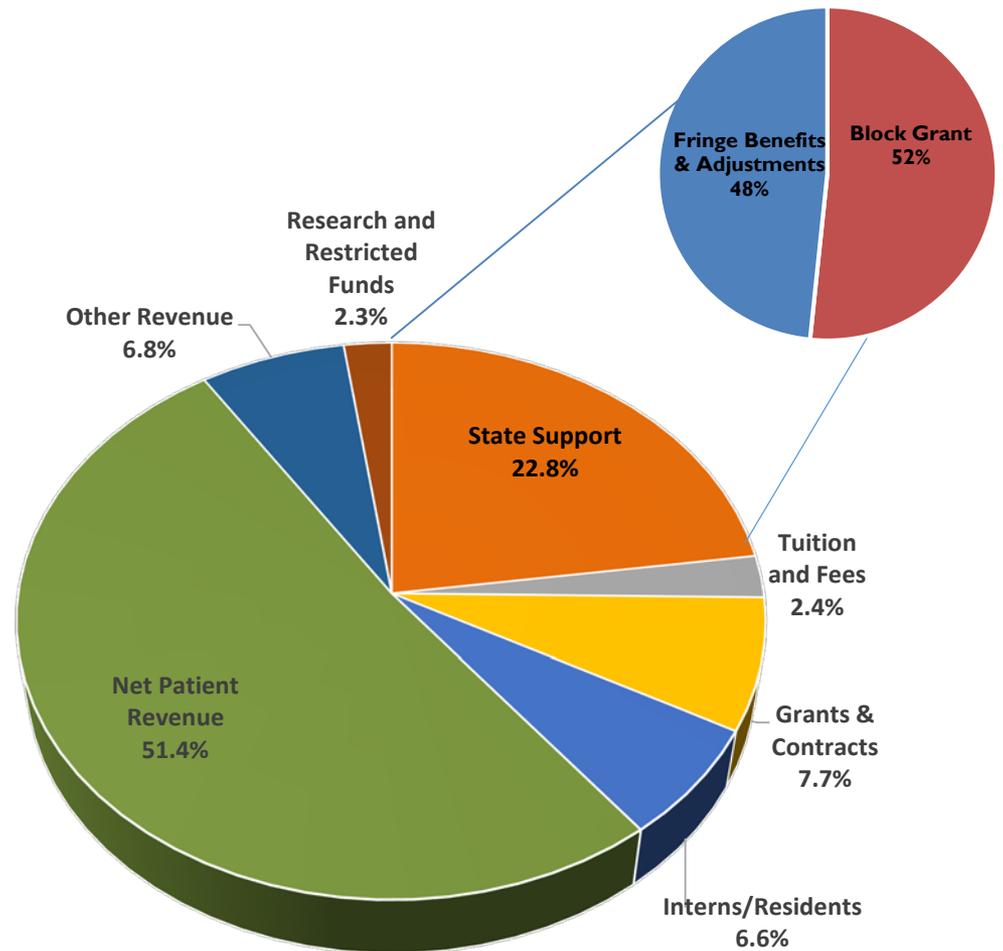
Salaries & Wages	412.5
Fringe Benefits	254.1
Drugs/Medical Supplies	98.6
Other Expenses	242.5
Debt Service/Projects	16.2
Total Operating Fund	<u>\$ 1,023.9</u>
Research and Restricted Expenditures	23.7
Total Operating Expenditures	<u>\$ 1,047.6</u>
Net Gain/(Loss)	<u>\$ -</u>

FY19 Revenue by Category

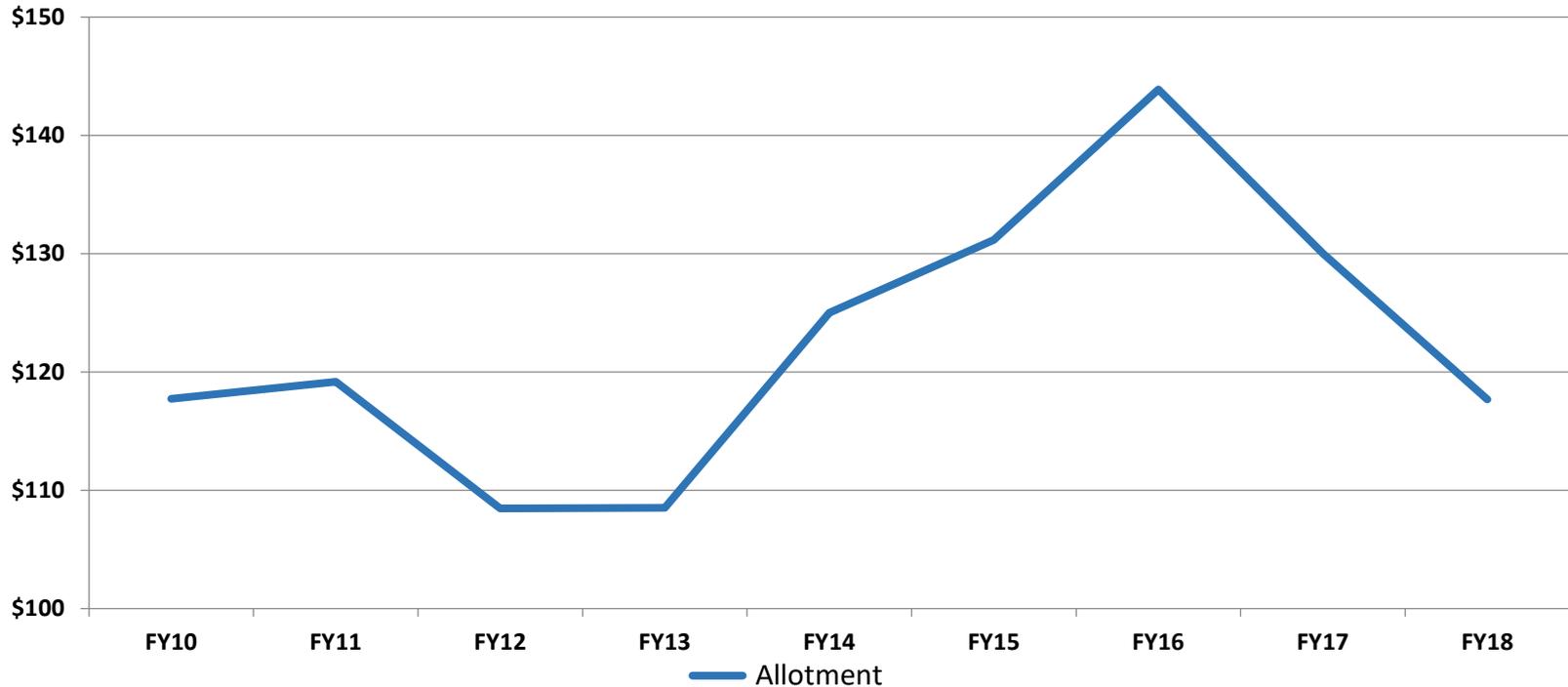
Largest source of revenue is patient care, at 51.4% of total revenues.

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State Block Grant



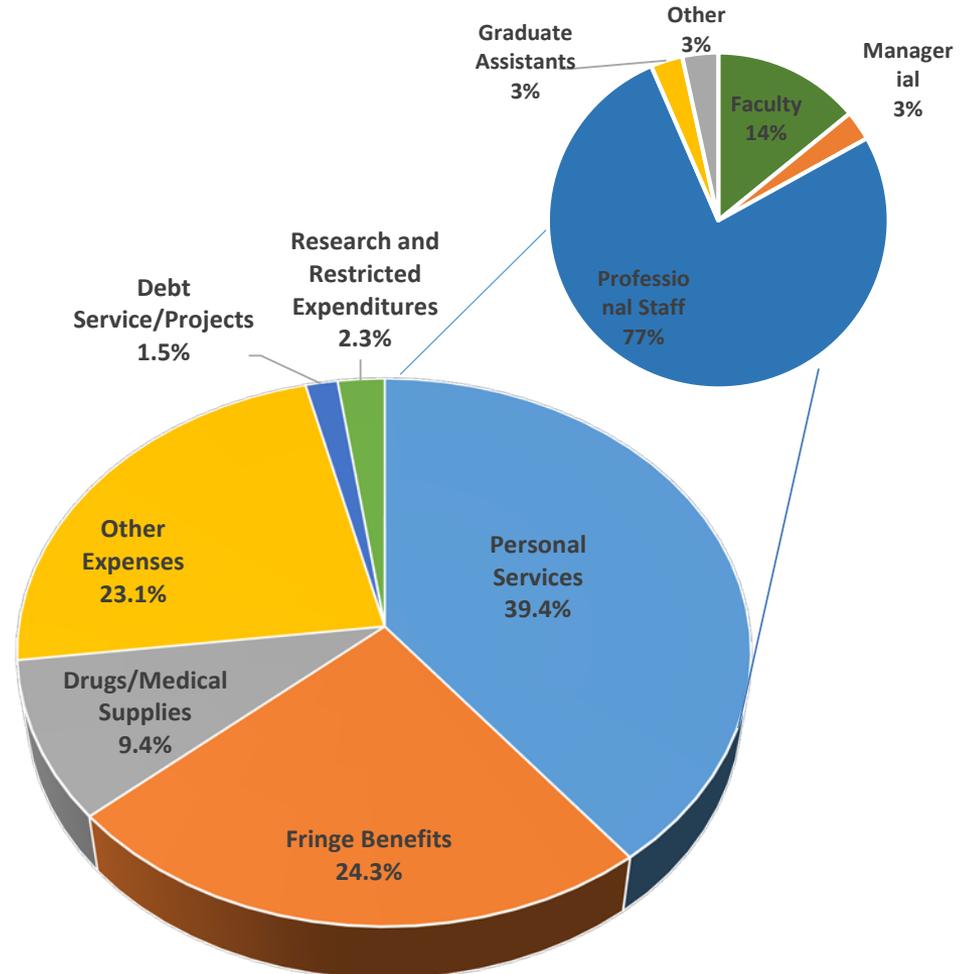
- Block Grant includes Bioscience CT and Workers' Compensation
- Bioscience CT funding began in FY13 and workers compensation was included in the appropriation in FY16

FY 19 Expense Budget

Personal Services and Fringe Benefits represents 64.0% of total Operating Expenditures.

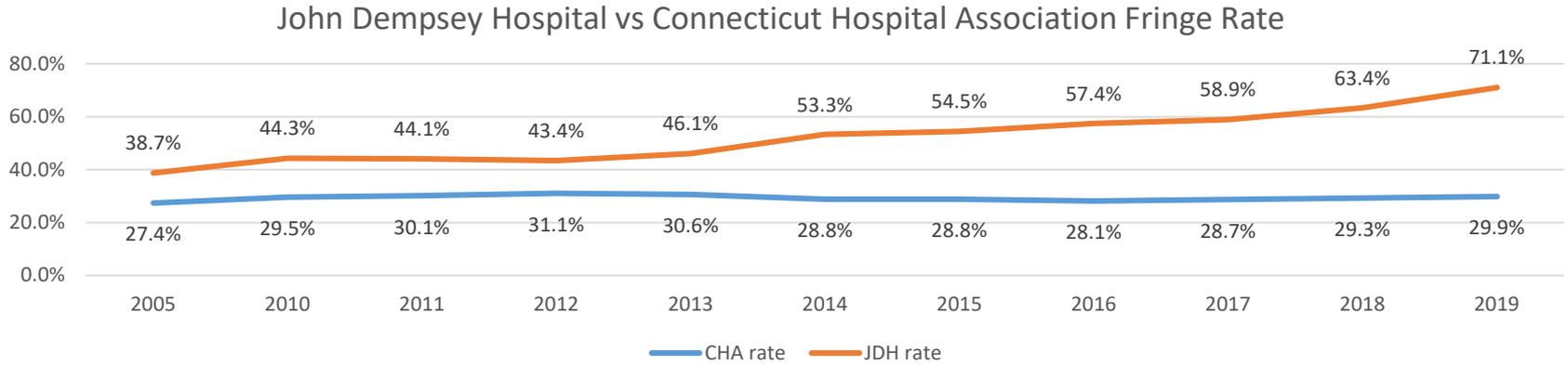
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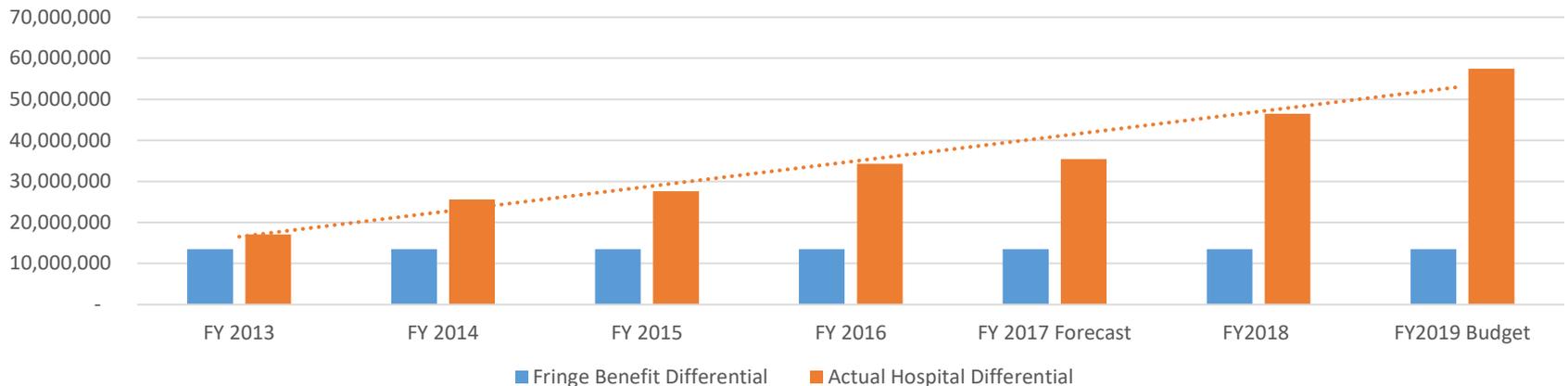


Rising Costs – Fringe Benefits Expense

Comparison of UConn Health Fringe rates with other hospitals' rates (CHA average)



Fringe differential payments from the State vs actual difference between UConn Health and CHA hospital fringe rates (FY19 \$13.5M vs \$57.4M equals \$43.9M unfunded differential)



Budget Risks Impact Students Most

If State support continues to decline and fringe costs continue to climb, UConn will be forced to make decisions that threaten our Top 20 standing among public flagship universities in the US.

State Support

- Students will bear the impact of reduced State support through higher tuition and fees.
- Continued reductions will have a direct impact on faculty and staff, too, and the State's economy.

Fringe Costs

- Students will bear the impact of rising fringe costs through reduced student services as fringe costs comprise a larger share of the budget.
- SAG award has an annual budgetary impact of up to \$57M for UConn and \$71M for UConn Health.

Budget Risks Impact Patients Too

UConn Health faces the same risks as UConn Storrs but has additional exposure within patient revenue, which makes up over 51% of total revenues.

Patient Revenue

- Payer mix and volume uncontrollable
- Provider based reimbursement
- Medicaid reimbursement
- Consolidation of other systems reducing outside referrals

UConn and UConn Health seek commitments to protect students and patients from State fiscal challenges.

CAPITAL BUDGET

FY19 Capital Budget

90% of the \$360M capital budget will provide funding for active construction projects, with remaining 10% dedicated to planning and design.

UConn - NextGenCT	\$187	Academic & Research Facilities-Gant, Fine Arts, STEM 1; DM & Infrastructure; Parking; Equipment
UCH – Equipment	13	Electronic Medical Record System
Total UCONN 2000 State Bonds	\$200	
UConn Funds	35	Facilities & Infrastructure Repairs, Pedestrian Safety Improvements, Central Utility Plant Improvements, etc.
UConn Revenue Bonds	125	Recreation Center & Infrastructure, Athletic Stadia
Total Capital Budget	\$360	All capital projects costing \$500K or more are submitted for Board action on a project by project basis

UCONN 2000 State Bonds

The State approved a revised bonding schedule in October 2017 which deferred significant funding to future years.

- \$200M in FY19 will fund year 5 of the 13-year NextGenCT capital program.
- \$937M of authorized bond funds remain in FY20-FY27 for projects that are already under construction or are in planning/design.
- UConn delayed, re-scoped and cancelled multiple projects in the capital plan as a result of the bond fund deferrals.

Bonds (\$M)	UConn	UCH	Total	Deferrals
FY96-FY99	\$382.0		\$382.0	
FY00-FY05	580.0		580.0	
FY05-FY18	1,371.5	812.9	2,184.4	(95.5)
FY19	187.0	13.0	200.0	(51.0)
FY20	291.6		291.6	22.6
FY21	186.2		186.2	(5.3)
FY22	101.4		101.4	(42.6)
FY23	98.0		98.0	(14.0)
FY24	85.0		85.0	11.5
FY25	70.1		70.1	70.1
FY26	63.6		63.6	63.6
FY27	40.6		40.6	40.6
Total	\$3,457.0	\$825.9	\$4,282.9	\$0.0

Major Buildings Opened in FY 2018



UConn Hartford Campus:

Hartford Times Building: 164,000 square feet, 5 floors, August 2017 completion

- 38 Prospect Street Building: 38,870 square feet, 4 floors + penthouse, May 2017 completion
- Hartford Public Library: 12,000 square feet, August 2017 completion
- Cost: ~\$140M



Stamford Residential Housing

- Master Lease of a new building (funded via operating budget)
- 6 floor facility with 116 units housing close to 300 students in various occupancy configurations
- August 2017 completion



Engineering & Science Building

- 115,000 square feet, 5 floors + penthouse
- Substantial completion October 2017
- Cost: ~\$94M

Major Capital Projects in Construction

Recreation Center

\$100M budget
August 2019



Fine Arts Production Center

\$33M budget
October 2019



UCH Clinic Building Renovations

\$91M budget
February 2019



Gant Building Renovations

\$180M budget
December 2023

NextGenCT Capital Budget Plan

Bond funding deferrals have delayed/cancelled multiple projects and threatened the success of growth in the science program.

	Prior Year	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Budget (\$M)	\$506.2	\$205.3	\$260.1	\$251.0	\$269.0	\$191.5	\$144.0	\$112.0	\$73.5			
FY17 Deferral		(26.0)	26.0									
FY18 Deferral			(95.5)	(51.0)	22.6	(5.3)	(42.6)	(14.0)	11.5	70.1	63.6	40.6
Revised Budget*	\$506.2	\$179.3	\$190.6	\$200.0	\$291.6	\$186.2	\$101.4	\$98.0	\$85.0	\$70.1	\$63.6	\$40.6
Major Completed Projects: Werth Residence Tower, Putnam Refectory, Monteith, New Hartford Campus, Engineering & Science												
Gant STEM Renovation & Infrastructure Improvements									Science Program Delayed			
STEM Research Center 1 & Infrastructure Improvements								Science Program Delayed				
Major Infrastructure Upgrades (i.e. sewer, water, steam, electrical repairs & upgrades, parking, roadways) - Delayed												
Deferred Maintenance/Academic Renovations (i.e. roof/HVAC repairs, research lab/housing renovations) - Delayed												
Equipment Acquisitions (i.e. fMRI, fire truck, ambulance, EMR, CORE-CT implementation) - Delayed												

*Revised Budget includes State bond funds only and does not include funds the University has added to the program.

Note: Chart reflects which fiscal years the funding is phased over for selected major projects and not the specific construction period

Capital Program Challenges

Continued stable funding is essential for execution of the capital plan.

Project Planning

- Project delays result in increased costs and reduced project scopes.
- UConn seeks long-term commitment to priority academic and deferred maintenance projects needed to ensure continued operations.

Bond Funding

- Starting/stopping projects affects reputation and bid responses/pricing.
- UConn seeks bond fund amounts in statute since funding for major projects is phased over multiple years.

Future

- Not all capital needs are fully funded or included in the current plan.
- UConn seeks to identify funding strategies while limiting the impact to the strained operating budget.